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REVISED SYSTEM OF NATIONAL ACCOUNTS

CHAPTER XI

THE FINANCIAL ACCOUNT

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XI. THE FINANCIAL ACCOUNT

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List of Acronyms

BA	bankers' acceptance
FRA	forward rate agreement
IMF	International Monetary Fund
NIF	note issuance facility
NCD	negotiable certificate of deposit
OTC	over-the-counter
SDR	special drawing right

XI. THE FINANCIAL ACCOUNT

A. Introduction

1. The Financial Account records transactions that involve financial assets and liabilities and that take place between institutional units and between institutional units and the rest of the world. 1/ The left side of the account (table XI.1) records acquisitions less disposals of financial assets, while the right side records incurrence of liabilities less their repayment. Net incurrence of liabilities less net acquisition of financial assets is equal in value, with the opposite sign, to net lending/borrowing, the balancing item in the Capital Account. In the SNA, financial assets are classified under seven major categories:

(1) Monetary gold and SDRs
(2) Currency and deposits
(3) Securities other than shares
(4) Loans
(5) Shares and other equity
(6) Insurance technical reserves
(7) Other accounts receivable/payable

Depending upon whether they are assets or liabilities of the unit or sector in question, these categories are listed on both sides of the Financial Account.

2. This chapter addresses five issues: (1) the role of the Financial Account within the SNA; (2) the nature of financial transactions and special cases; (3) the accounting rules for financial transactions; (4) the classification of financial transactions; and (5) detailed flow-of-funds tables.

B. The Role of the Financial Account

3. The Financial Account is the second of the accounts that deal with accumulation. From the opening of the accounting period to the close, all balance sheet changes involving financial assets and liabilities must be accounted for by financial transactions (described in this chapter) and by other changes in the volume of financial assets and revaluations covered in <chapter XII, Other Changes in Assets Accounts>. The Financial Account is also the final account, in the full sequence of accounts, that records transactions between institutional units. The Financial Account does not have a balancing item that is carried forward to another account, as has been the case with all accounts previously discussed. Rather, the net balance of the Financial Account is equal in magnitude, but with the opposite sign, to the balancing item of the Capital Account.

1/ Except when the context requires, the term "financial assets" should be read to include liabilities.

4. Net saving is the balancing item of the Use of Income Account, and net saving plus net capital transfers receivable/payable can be used to accumulate non-financial assets. If they are not exhausted in this way, the resulting surplus is called net lending. Alternatively, if net saving and capital transfers are not sufficient to cover the net accumulation of non-financial assets, the resulting deficit is called net borrowing. This surplus or deficit, net lending or net borrowing, is the balancing item that is carried forward from the Capital Account into the Financial Account.

5. Some sectors or sub-sectors are net lenders while others are net borrowers. When institutional units engage in financial transactions with each other, the surplus resources of one sector can be made available, by the units concerned, for the use of other sectors. The Financial Account indicates how deficit, or net borrowing, sectors obtain the necessary financial resources by incurring liabilities or reducing assets and how the net lending sectors allocate their surpluses by acquiring financial assets or reducing liabilities. The account also shows the relative contributions of various categories of financial assets to these transactions.

6. The evolution of net lending/borrowing can be seen clearly in table X.1, Capital Account. In this example, general government, financial corporations, and non-financial corporations have a deficit or net borrowing requirement, while households and non-profit institutions have surpluses or net lending capacity. In table XI.1, Financial Account, non-financial corporations are shown to have a net borrowing requirement of 25. This requirement is financed by incurring liabilities of 96 and acquiring financial assets of 71; the difference between the two equals net borrowing. Similarly, the household sector, which has a net lending balance of 80, achieves this result by acquiring financial assets of 128 and incurring liabilities of 48. The financial corporations sector has a net borrowing requirement of 6, which is financed by incurring liabilities of 211 and acquiring financial assets of 205. In comparison with other sectors, financial corporations will generally have small amounts of net lending/borrowing. However, their transactions in financial assets and liabilities will be comparatively large as a reflection of their primary role of intermediating between other borrowers and lenders by incurring liabilities and acquiring financial assets. Net borrowers can transact directly with net lenders. For example, governments can issue securities in the market; these securities can be purchased by households, non-financial corporations, and the rest of the world. In many other cases, financial intermediaries have as their special function the creation of a financial market that indirectly links lenders and borrowers by incurring liabilities to net lenders through taking deposits or issuing securities and providing the financial resources thus mobilized to borrowers. An examination of the financial transactions of the subsectors of the financial corporate sector, in addition to the those of the consolidated financial sector, is often useful.

7. It is important to note that, for each institutional sector, the Financial Account indicates the types of financial assets utilized by that

sector to incur liabilities and acquire financial assets. The Financial Account does not, however, indicate to which sectors the liabilities are incurred and on which sectors the assets indicate financial claims. A more detailed and complex analysis of financial flows between sectors is discussed in the final section of this chapter. This analysis illustrates debtor/creditor relationships by type of financial asset.

8. In the hypothetical case of a closed economy in which resident institutional units do not engage in transactions with non-residents, the total net lending and total net borrowing of the various sectors would have to be equal since the net borrowing requirements of deficit sectors would be met by net lending of surplus sectors. For the economy as a whole, net lending or borrowing would have to be zero. This equality reflects the symmetric nature of financial assets and liabilities described in <<paragraph 59>>. When residents engage in transactions with non-residents, the sum of the net lending and net borrowing of each of the institutional sectors making up the total economy must equal the economy's net lending to, or borrowing from, the rest of the world. In table XI.1, the total economy has acquired financial assets of 437 and incurred liabilities of 407. Net lending for the total economy to the rest of the world is therefore 30.

1. Counterparts of financial transactions

9. While some transactions in the Financial Account have counterparts in other accounts of the SNA, other entries take place entirely within the Financial Account. In the SNA, most transactions involving the transfer of ownership of a good or non-financial asset, or the provision of a service or labour, entail a counterpart entry in the Financial Account. This most often takes the form of the exchange of goods, assets, and services for means of payment or claims on future means of payment. As the SNA records transactions on an accrual basis, any transaction expected to lead to eventual payment, either in financial assets or in kind, has a counterpart in the Financial Account. Even transactions in kind, such as barter sales and transfers in kind, lead to entries in the Financial Account when all elements of the in-kind transaction are not completed simultaneously.

10. The sale of a good, service, or asset may have as its counterpart a transaction in currency or transferable deposit. Alternatively, the counterpart may be reflected in the Financial Account in a trade credit or other account receivable/payable. In certain cases, a transaction may have its counterpart in other types of financial assets, such as the provision of fixed assets for long-term indebtedness, and the liability may be evidenced by a loan or security. Thus, counterpart transactions in financial assets are recorded in the Financial Account for most transactions in other SNA accounts.

11. However, in the SNA, many transactions take place entirely within the Financial Account. Transactions limited to the Financial Account occur whenever one financial asset is exchanged for another or when a liability is

repaid with an asset. For example, trade credits are extinguished by exchanging means of payment. The claim represented by the trade credit no longer exists when the debtor provides means of payment to the creditor. The resulting four entries in the Financial Account are: the creditor reduces his holdings of trade credits and increases his means of payment (currency or transferable deposits); the debtor reduces his liabilities (in the form of trade credits) and reduces his financial assets (in the form of means of payment).

12. When existing financial assets are exchanged for other financial assets, all entries take place in the Financial Account and only affect assets. For example, if an existing bond is sold by one institutional unit to another on the secondary market, in his Financial Account, the seller reduces his holdings of securities and increases equally his holdings of means of payment. The purchaser makes the opposite entries in his Financial Account. When a new financial asset is created through the incurrence of a liability by an institutional unit, all related entries may also be made in the Financial Account. For example, a corporation may issue short-term securities in exchange for means of payment. The Financial Account of the corporate sector accordingly shows an increase in liabilities in the form of securities and an increase in financial assets in the form of means of payment; the Financial Account of the purchasing sector shows a recomposition of financial assets--a reduction in means of payment and an increase in securities. Transactions that are wholly within the Financial Account involve the exchange of one asset for another or the simultaneous creation or reduction of both assets and liabilities. These transactions change the distribution of the portfolio of financial assets and liabilities and may change the totals of both assets and liabilities, but they do not change the difference between total financial assets and liabilities.

C. Financial Transactions

1. The nature of financial transactions and special cases

13. All financial transactions between institutional units and between institutional units and the rest of the world are recorded in the Financial Account. Financial transactions between institutional units and between institutional units and the rest of the world cover all transactions involving change of ownership of financial assets, including the creation and liquidation of financial claims. As was noted in section B of this chapter, the creation or other change in ownership of a financial asset may have its counterpart in other accounts of the SNA, or transactions in the Financial Account may involve exchanges of financial assets or incurrence of new liabilities for other financial assets; in these latter cases, all counterparts are recorded within the Financial Account.

14. Identifying financial transactions requires:

(1) distinguishing transactions in financial assets from transactions in non-financial assets (non-financial assets are covered in detail in <chapter X, The Capital Account, and chapter XII, Other Changes in Assets Account>);

(2) distinguishing financial transactions from other changes that affect the existence, volume, and value of financial assets covered in this chapter and <chapter XII, Other Changes in Assets Account>; and

(3) distinguishing transactions in financial assets from financial operations involving contingent rather than actual financial assets.

The remaining paragraphs of this section deal with a number of these distinctions, as well as with some special cases involving financial assets.

15. The identification of financial transactions has also become more difficult because of financial innovation that has led to the development and proliferation of new and often complex financial assets and other financial instruments to meet the needs of investors with respect to maturity, yield, avoidance of risk, and other factors. Some of these instruments are tied to prices of commodities, so the distinction between financial and non-financial transactions may be blurred. The identification issue is further complicated by variations in characteristics of financial instruments across countries and variations in national practices on accounting and classification of instruments. These factors tend to limit the scope for firm recommendations with respect to the treatment of certain transactions within the SNA. A substantial degree of flexibility in presentation is therefore appropriate to meet national needs and to reflect national practices.

a. Financial assets

16. In general, assets are items of economic value that are owned by institutional units and that may be expected to provide benefits in the future. At a minimum, all financial assets fulfil this definition in that they are stores of value; some financial assets generate property income and/or possibilities of holding gains. Currency and transferable deposits are assets because they can be used directly to acquire goods, services, or other assets. Securities and shares are assets because benefits may be derived in the form of property income and holding gains. Most loans generate property income, and trade credits represent a claim on other financial assets, usually means of payment such as transferable deposits. Most financial assets differ from other assets in the SNA in that there are counterpart liabilities on the parts of another institutional units, i.e., financial assets consist of claims on other institutional units. However,

financial assets also include monetary gold, International Monetary Fund (IMF) Special Drawing Rights (SDRs), shares in corporations (which their holders treat much the same as financial claims), and certain kinds of derivatives. There are no liabilities outstanding in respect of monetary gold and SDRs, while the SNA treats both shares and these derivatives as liabilities by convention.

b. Financial claims and obligations

17. Many types of financial arrangements between transactors are possible. Financial claims and obligations arise out of contractual relationships between pairs of institutional units. Many of these will result in a creditor/debtor relationship between the two parties. In most cases, the relationship between the creditor and debtor will be unconditional on the part of both parties. Clearly, in such standard financial assets as deposits, securities, and loans, the creditor has an unconditional legal contract to receive property income and repayment of principal, and the debtor has a symmetric unconditional liability. This unconditional relationship does not hold, however, for shares and certain derivative instruments <<see paragraphs 34-35 and 85>> which otherwise behave as financial assets and are treated as such in the SNA. In these cases liabilities are introduced by convention, even though the "debtor" does not have an unconditional liability. A financial claim:

(1) entitles a creditor to receive a payment, or payments, from a debtor in circumstances specified in a contract between them

or

(2) specifies between the two parties certain rights or obligations, the nature of which requires them to be treated as financial.

18. When a debtor accepts an obligation to make future payment to a creditor, a claim is created. Usually, the amount that the debtor must pay to extinguish the liability, and the circumstances under which payment may be required, are also fixed at the time the claim is created. Claims may also be created by force of law; in particular, obligations to pay taxes or to make other compulsory payments will give rise to entries in the Financial Account when the tax is accrued. The criteria that determine the amounts of interest to be paid have also to be specified in the contract. Interest is property income, and payments of interest do not reduce the amount that the debtor is obliged to pay to extinguish the claim.

19. The variety of forms taken by financial claims is manifested in a variety of financial assets. Different types of financial assets are devised to meet the differing requirements and financial circumstances of both creditors and debtors. These assets and their classification are described in some detail in the section E of this chapter.

c. Other changes in volume and value of financial assets and liabilities

20. Other changes in the volume and value of financial assets take place during an accounting period without involving transactions between institutional units. All of these other changes are excluded from the Financial Account, but they must be recorded, either in the Other Changes in Volume of Assets Account or in the Revaluation Account. Some of these changes are discussed in the following sections.

(i) Monetary gold and SDRs

21. The creation or disappearance of monetary gold (referred to as monetization or demonetization of gold) is--unlike transactions in already existing monetary gold--recorded in the Other Changes in Volume Account. Similarly, transactions in SDRs appear in the Financial Account, but the process (called allocation/cancellation) by which SDRs are created or destroyed is recorded in the Other Changes in Volume of Assets Account. (<<See paragraphs 65 and 67 of this chapter and chapter XII, Other Changes in Assets Account.>>)

(ii) Valuation

22. Changes in the value of financial assets that result from price changes or exchange rate changes are recorded in the Revaluation Account. When there is a change in ownership and an asset acquired at one price is disposed of at another price, the transactions are recorded at their respective values in the Financial Account; the disposal value includes the realized holding gain or loss. (<See chapter XII, Other Changes in Assets Account.>)

(iii) Debt operations

23. There are a number of circumstances that may lead to reduction or cancellation, by other than normal repayment, of liabilities. These are treated in various ways in the SNA. A debtor and creditor may become parties to a bilateral agreement (often referred to as "debt forgiveness") that a financial claim no longer exists. Such an agreement gives rise in the SNA to the recording of a capital transfer payable/receivable (recorded in the Capital Account at the time the debt forgiveness occurs) and the simultaneous extinction of the claim (recorded in the Financial Account). Changes in claims resulting from debt assumption or rescheduling should be reflected in the Financial Account when the terms of the debt contract (maturity, interest rate, etc.) change, or when the institutional sector of the creditor or debtor changes, as these are considered new contractual arrangements. However, all other changes in claims resulting from write-offs and write-downs are excluded from the Financial Account. Specifically,

a creditor may recognize that a financial claim can no longer be collected because of bankruptcy or other factors and he may remove the claim from his balance sheet. This recognition (by the creditor) should be accounted for in the Other Changes in Volume Account. (The corresponding liability must also be removed from the balance sheet of the debtor to maintain balance in the accounts of the total economy.) Unilateral cancellation of a financial claim by a debtor (debt repudiation) is not recognized in the SNA. Write-downs that reflect the actual market values of financial assets should be accounted for in the Revaluation Account. However, write-downs or write-offs that are imposed solely to meet regulatory or supervisory requirements and do not reflect the actual market values of those financial assets should not be recorded in the SNA.

24. Another debt related operation that is allowed by generally accepted accounting principles in many countries and that raises questions as to how they should be recorded in the SNA relates to debt defeasance. Debt defeasance allows a debtor (whose debts are in the form generally of securities other that shares and loans) to remove certain liabilities from the balance sheet by pairing irrevocably assets of equal value to the liabilities. Subsequent to the defeasance, neither the assets nor the liabilities are included in the balance sheet of the debtor, nor, frequently, need they be reported for statistical purposes. Defeasance may be carried out (1) by placing the paired assets and liabilities in a trust account within the institutional unit concerned or (2) they may be transferred to another statistical unit. In the former case, the SNA will not record any transactions with respect to defeasance and the assets and liabilities will not be excluded from the balance sheet of the unit. In the latter case, the transactions by which the assets and liabilities are moved to the second statistical unit are recorded in the Financial Account of the units concerned and reported in the balance sheet of the unit that holds the assets and liabilities. Therefore, in the SNA, debt defeasance as such never results in liabilities being removed from the System, although it sometimes leads to a change in the institutional unit that reports those liabilities.

d. Contingent assets

25. Many types of contractual financial arrangements between institutional units do not give rise to unconditional requirements either to make payments or to provide other objects of value; often the arrangements themselves do not have transferable economic value. These arrangements, which are often referred to as contingencies, are not actual current financial assets and should not be recorded in the SNA. The principal characteristic of contingencies is that one or more conditions must be fulfilled before a financial transaction takes place. Guarantees of payment by third parties are contingencies since payment is only required if the principal debtor defaults. Lines of credit provide a guarantee that funds will be made available but no financial asset exists until funds are actually advanced. Letters of credit are promises to make payment only when certain documents

specified by contract are presented. Underwritten note issuance facilities (NIFs) provide a guarantee that a potential debtor will be able to sell short term securities (notes) that he issues and that the bank or banks issuing the facility will take up any notes not sold in the market or will provide equivalent advances. The facility itself is contingent, and the creation of the facility gives rise to no entry in the Financial Account. Only if the underwriting institution is requested to make funds available will it acquire an actual asset, which is recorded in the Financial Account.

26. For the purposes of the SNA, the treatment of contingencies is clear. Any payments of fees related to the establishment of contingent arrangements are treated as payments for services. Transactions are recorded in the Financial Account only when an actual financial asset is created or changes ownership. However, by conferring certain rights or obligations that may affect future decisions, contingent arrangements obviously produce an economic impact on the parties involved. Collectively such contingencies may be important for financial programming, policy, and analysis. Therefore, where contingent positions are important for policy and analysis, it is recommended that supplementary information be collected and presented as supplementary data in the SNA.

27. Country practices vary in determining which instruments are considered contingent and which are considered actual assets to be recorded in the balance sheet. An example, which is quantitatively important in trade financing, is the bankers' acceptance (BA). A BA involves the acceptance by financial institutions of drafts or bills of exchange and the unconditional promise to pay a specific amount at a specified date. The BA represents an unconditional claim on the part of the holder and an unconditional liability on the part of the accepting bank; the bank's counterpart asset is a claim on its customer. For this reason, the SNA recommends that the BA be treated as an actual financial asset even though no funds may have been exchanged. Flexibility in the application of this recommendation will be required to take national practices and variations in the nature of these instruments into account.

28. In a number of financial arrangements, the contract is conditional on the part of one or both parties, but the arrangement itself has value because it is tradable. When transactions in such arrangements occur, the transactions should be recorded in the Financial Account. These are discussed further in <<paragraphs 34-43>>.

2. Exceptions to general rules

29. Conventions of the SNA or analytical requirements create a number of exceptions to the general rules described thus far in this chapter. These exceptions are discussed in the following sections.

30. The conventions adopted in the SNA result in the ownership of some non-financial assets being construed as the ownership of financial assets. Specific cases include:

(1) Immovable assets, such as land and structures, are construed as being owned by residents of the economy where they are located, except when those structures are owned by foreign government entities and are thus located out of the economic territory of the country. When the owner of such assets is a non-resident, therefore, he is considered to have a financial claim on a notional resident unit that is construed to be the owner.

(2) An unincorporated enterprise that operates in a different economy from the one in which its owner resides is considered to be a quasi-corporation. That entity is a resident of the economy where it operates, rather than a resident of the economy of its owner. The owner of the enterprise is deemed to own foreign financial assets equal in value to all the assets, non-financial as well as financial, belonging to the quasi-corporation.

31. When goods are acquired under a financial leasing arrangement (<see annex >), a change of ownership of the goods is considered to have taken place. This change in ownership is financed by a financial claim, which is the asset of the lessor and the liability of the lessee. At the time the imputed change in ownership occurs, the market value of the good is recorded and counterpart entries, as assets/liabilities, are made by the institutional units in the Financial Account. In subsequent periods, the actual rental payment must be divided into interest, which is recorded as property income payable/receivable, and debt repayment, which is recorded in the Financial Account and which reduces the value of the asset of the lessor and the liability of the lessee. The financial asset should be classified as a loan <<see paragraph 82>>.

32. Repurchase agreements are arrangements whereby an institutional unit sells securities at a specified price to another unit. The sale is made under a commitment to repurchase the same or similar securities at a fixed price on a specified future date (usually very short-term, e.g., overnight or one day) or at a date subject to the discretion of the purchaser. The arrangement appears to involve two separate transactions in financial assets. However, its economic nature is similar to that of a collateralized loan in that the purchaser of the securities is providing to the seller advances backed by the securities for the period of the agreement and is receiving a return from the fixed price when the repurchase agreement is reversed. In most cases, the securities do not change hands and the buyer does not have the right to sell them, so it is unclear even in a legal sense whether a change of ownership has taken place. Therefore, in the SNA, a repurchase agreement is treated as a newly created financial asset that is not related to the underlying securities. Repurchase agreements are to be classified under loans unless they involve bank liabilities and are

classified in national measures of broad money; in the latter case, repurchase agreements are classified under other deposits. <<See paragraphs 56 and 57>> for a discussion of the relationship of money measures to the SNA.

33. Foreign exchange and gold swaps (not to be confused with interest rate or currency swaps discussed in <<paragraph 37>> are a form of repurchase agreement commonly undertaken between central banks or between a central bank and banking institutions in a country. Central bank to central bank swaps involve an exchange of deposits and, for each of the two parties, the acquisition of a financial asset (the deposit at the foreign central bank) and the incurrence of a liability (the deposit by the foreign central bank). Central bank to central bank swaps should be recorded as transactions in the Financial Account. When a central bank acquires foreign exchange from a domestic bank in return for a deposit at the central bank and there is a commitment to reverse the transaction at a later date, this transaction should be treated as a new financial instrument (a loan from the central bank) and recorded as such in the Financial Account.

3. Financial derivatives

34. Many of the recently created financial instruments are linked to a specific financial instrument or indicator (foreign currencies, government bonds, share price indices, interest rates, etc.) or to a particular commodity (gold, coffee, sugar, etc.). The new instruments are therefore often referred to as derivative or secondary instruments. Since risk avoidance is frequently a motivation for the creation of these instruments, they are also often referred to as hedging instruments. Some of these give rise to contingent assets and liabilities and thus are not included in the balance sheets or Financial Account transactions. Others give rise to property income flows but, as there is no underlying transaction in a financial asset, there are no entries in the Financial Account. A third class of derivatives may involve conditional rights similar to other contingent instruments, but these derivatives have market value and are tradable; transactions in these derivatives give rise to entries in the Financial Account. An exhaustive treatment of derivatives is not possible here, and market innovations would render such a treatment incomplete or obsolete within a short period. Nevertheless, some general guidelines can be given on the basis of existing derivatives, and specific treatment in the SNA can be recommended for several broad classes of derivatives.

35. The SNA recommends that derivatives should be treated as financial assets and that transactions in them should, in general, be treated as separate (mainly financial) transactions, rather than as integral parts of the value of underlying transactions to which they may be linked as hedges. This is because a different institutional unit will be the counterpart to the derivative transaction than is the case for the underlying transaction that is being hedged. Moreover, the two parties to the derivatives may have different motives for entering into the transaction. One may be hedging,

while the other may be dealing in derivative instruments or acquiring the derivative as an investment. Even if both parties are hedging, they may be hedging transactions or risks that involve different financial assets or even transactions in different accounts of the SNA. Therefore, if derivative transactions were treated as integral parts of other transactions, such treatment would lead to asymmetries of measurement in different parts of the accounts or to asymmetries of measurement between institutional sectors.

36. Any explicit commissions paid to or received from brokers or other intermediaries for arranging options, futures, swaps, and other derivatives contracts with a counterparty are treated as payments for services in the appropriate accounts. Adjustment payments between parties to interest rate swaps are treated, in the SNA, as payments of interest and classified accordingly. Most commodity-related derivatives contracts are closed out before maturity, and a cash payment is made between the two parties; this payment does not include an element of service payment and thus should be recorded within the Financial Account. For those commodity-related contracts that do proceed to delivery, the ensuing transactions should be recorded in the usual way as a purchase/sale of commodities. All other transactions associated with derivatives are treated in the SNA as financial transactions that are entered in the Financial Account. These financial transactions in derivatives will include changes in margin deposit accounts, purchases and sales of traded options, warrants and covered warrants, premiums on over-the-counter (OTC) options, payments and receipts of various margins on traded futures and options, and all other payments and receipts relating to investment in derivatives and payments made or received during the life of a derivatives contract, except those specified before as relating to other accounts of the SNA.

37. Swaps are contractual arrangements between two parties who agree to exchange, according to predetermined rules, streams of payment on the same amount of indebtedness over time. The two most prevalent varieties are interest rate swaps and currency swaps. Interest rate swaps involve an exchange of interest payments of different character, such as fixed rate for floating rate, two different floating rates, fixed rate in one currency and floating rate in another, etc. Currency swaps involve an exchange of specified amounts of two different currencies with subsequent repayments, which include both interest and repayment flows, over time according to predetermined rules. Streams of interest payments resulting from swap arrangements are to be recorded as property income and repayments of principal are to be recorded in the Financial Account. Within the SNA, the parties to a swap are not considered to be providing a service to each other, but any payment to a third party for arranging the swap should be treated as payment for a service.

38. Options are contracts that give the purchaser of the option the right, but not the obligation, to buy (a "call" option) or to sell (a "put" option) a particular financial instrument or commodity at a predetermined price (the "strike" price) within a given time span (American option) or on a given

date (European option). Many options contracts, if exercised, are settled by a cash payment rather than by delivery of the underlying assets or commodities to which the contract relates.

39. There are two basic types of options--traded options and OTC options. Options are sold or "written" on many types of underlying bases such as equities, interest rates, foreign currencies, commodities, and specified indexes. The buyer of the option pays a premium (the option price) to the seller for the latter's commitment to sell or purchase the specified amount of the underlying instrument or commodity on demand of the buyer. By convention, that commitment is treated as a liability of the seller and represents the current cost to the seller of buying out his contingent liability. While the premium paid to the seller of the option can conceptually be considered to include a service charge, in practice, it is usually not possible to distinguish the service element. Therefore it is recommended in the SNA that the full price be recorded as acquisition of a financial asset by the buyer and as incurrence of a liability by the seller.

40. The timing of premium payments on options varies. With some types of options, premiums are paid when the contracts begin, when the options are exercised, or when the options expire. With other types of options, particularly traded options, parts of the premiums are paid on the days of purchase (the purchase price) and the remainders are paid if the market prices of the option decline through the variation margins. Subsequent purchases and sales of options are also to be recorded in the Financial Account. If an option based on a financial asset is exercised or if a commodity based option proceeds to delivery, the transactions are to be recorded in the SNA according to the nature of the transaction. Whenever initial margin payments and increases or decreases in margin payments are repayable, they should be recorded, as both assets and liabilities, under deposits in the Financial Account. Changes in the balances on variation margin accounts should be recorded under deposits. Payments into and withdrawals from these accounts will also be reflected in transactions in the traded options or futures contracts to which the variation margin accounts relate, and these payments and withdrawals should be recorded under transactions in securities other than shares.

41. Warrants are tradable instruments giving the holder the right to buy, under specified terms for a specified period of time, from the issuer of the warrant (usually a corporation) a certain number of shares or bonds. There are also currency warrants based on the amount of one currency required to buy another and cross-currency warrants tied to third currencies. Thus, warrants are a form of options. They can be traded apart from the underlying securities to which they are linked and therefore have a market value. In the Financial Account, the treatment of warrants is the same as that for options, and the issuer of the warrant is considered by convention to have incurred a liability, which is the counterpart of the asset held by the purchaser and represents the current cost of buying out the issuer's contingent liability.

42. Transactions with respect to traded financial futures, including those for equities, interest rates, foreign currencies, commodities, etc., are to be recorded in the Financial Account in a manner similar to options because the former also have transaction value. Non-traded financial futures, which have no market value, are not to be recorded in the SNA as they are contingent positions.

43. Forward rate agreements (FRA) are arrangements in which two parties, in order to protect themselves against interest rate changes, agree on an interest rate to be paid, at a specified settlement date, on a notional amount of principal that is never exchanged. The only payment that takes place is related to the difference between the agreed FRA rate and the prevailing market rate at the time of settlement. The buyer of the FRA receives payment from the seller if the prevailing rate exceeds the agreed rate; the seller receives payment if the prevailing rate is lower than the agreed rate. These payments are recorded as property income in the SNA; as there is no underlying actual asset but only a notional one, there are no entries with respect to FRA in the Financial Account.

D. Accounting Rules for Financial Transactions

1. Valuation

44. Transactions in financial assets are recorded at the prices at which the assets are acquired or disposed of. These prices should exclude service charges, fees, commissions, and similar payments for services provided in carrying out the transactions; these should be recorded as payments for services. Taxes on financial transactions should also be excluded from the values recorded in the Financial Account and treated as taxes on services within taxes on products. In these respects, care should be taken that the same entry be recorded for both parties to the transaction. When a financial transaction involves a new issue of liabilities, the transaction should be recorded by both creditor and debtor at the amount of the liability incurred, i.e., exclusive of any fees, commissions, etc., and also exclusive of any prepaid interest that may be included in the price. Similarly, when a liability is reduced or extinguished, the entries in the Financial Account for both creditor and debtor must correspond to the reduction of the liability. When a security is issued at a discount, the proceeds to the issuer at the time of sale, and not the face value, are recorded in the Financial Account. The difference between the issue price and the face value is treated as interest that is accrued over the life of the instrument.

45. Financial transactions with respect to proprietors' net additions to the accumulation of quasi-corporate enterprises and changes in households' claims on insurance enterprises and pension funds raise complex issues of valuation that are treated in the relevant item under classification of these categories (<<paragraphs 86 and 89-95, respectively>>).

46. When securities are marketed by issuers through underwriters or other intermediaries and then sold at higher prices to final investors, the assets and liabilities should be recorded at the values paid by the investors. The differences between the amounts paid by the investors and those received by the issuers should be treated as service payments paid by the issuers to the underwriters.

2. Time of recording

47. In principle, the two parties to a financial transaction should record the transaction at the same point in time. When the counterpart to a financial transaction is a non-financial transaction, the entries should be recorded when the non-financial transaction takes place, i.e., the time of recording of financial claims is to be aligned with the time of recording, in the other accounts of the SNA, the transactions that gave rise to the financial claim. For example, when sales of goods or services give rise to a trade credit, the entries in the Financial Accounts should take place when the entries are made in the relevant non-financial account, i.e., when ownership of the goods is transferred or when the service is provided. Similarly, when accounts receivable/payable arise from transactions related to taxes, compensation of employees, and other distributive transactions, the entries in the Financial Account should take place when the entries are made in the relevant non-financial account.

48. When all entries relating to a transaction pertain only to the Financial Account, they should be recorded when the ownership of the asset is transferred. This point in time is usually clear when the transaction involves the sale of existing financial assets. When the transaction involves the incurrence or redemption of a liability, both parties should record the transaction when the liability is incurred or redeemed. In most cases, this will occur when money or some other financial asset is paid by the creditor to the debtor or repaid by the debtor to the creditor.

49. In practice, the two parties of a financial transaction may perceive the transaction as being completed at different points in time. This is especially true when trade credits or other accounts payable/receivable are extinguished by final payments and there is a lag (float) between the point in time when payments are made and received. There are several stages at which creditors and debtors could record a transaction. The debtor could record the liability as being extinguished when the check or other means of payment is issued to the creditor. A substantial period of time may elapse before the creditor receives the means of payment and records the payment in his accounts. There may then be further time lags between presentation of a check to a bank, check clearance, and final settlement of the transaction. Asymmetries in time of recording of this transaction are therefore likely to emerge unless the debtor records his transaction on a "checks cleared" basis, a fairly uncommon accounting procedure. A financial claim exists up to the point that the payment is cleared and the creditor has control of the funds; this would be the optimal point in time for recording the

transaction. The float, in practice, may be very large and may affect, in particular, transferable deposits, trade credits, and other accounts receivable; this effect is especially pronounced in countries where the postal system and bank clearing procedures are weak. When the float is significant and accounts for large discrepancies in reporting, it will be necessary to develop estimates of the size of the float in order to adjust the accounts.

3. Basis of recording--netting and consolidation

50. The degree of netting at which transactions in financial assets and liabilities should be recorded depends to a great extent on the analysis for which the data are to be used. In practice, the degree of netting will depend on how data can be reported, and reporting may vary substantially for different classes of institutional units. If detailed information on financial transactions is maintained and reported, gross presentations are possible; if transactions must be inferred from balance sheet data, a certain level of netting is inevitable. A number of degrees of netting can be identified:

(1) No netting or fully gross reporting in which purchases and sales of assets are separately recorded, as are incurrences and repayments of liabilities;

(2) Netting within a given specific asset, such as subtracting sales of bonds from acquisition of bonds and redemption of bonds from new incurrences of liabilities in the form of bonds;

(3) Netting within a given category of assets, such as subtracting all sales of securities other than shares from all purchases of such assets;

(4) Netting transactions in liabilities against transactions in assets in the same asset category; and

(5) Netting transactions in groups of liability categories against transactions in assets in the same groups.

51. In the SNA, transactions are recorded in the Financial Account as net acquisition of assets and net incurrence of liabilities. As the Financial Account is broken down by main categories of financial assets, the desirable degree of netting would correspond to (3) of <<paragraph 50>>, netting within a given category of assets. However, it is clear that, when data are collected on as gross a basis as possible, they can be netted to whatever degree is necessary for a particular use; when data are collected net, they cannot be grossed up. In general, netting beyond the level described in (3) would hinder the usefulness of the Financial Accounts for tracing how the economy mobilizes resources from institutional units with positive net lending and transmits them to net borrowers. For detailed flow of funds

analysis, gross reporting or netting at level (2) would be desirable, particularly for analysis of securities, but netting at level (3) would still provide useful information on financial flows.

52. Consolidation in the Financial Account refers to the process of offsetting transactions in assets for a given grouping of institutional units against the counterpart transactions in liabilities for the same group of institutional units. Consolidation can be performed at the level of the total economy, institutional sectors, and subsectors. Different levels of consolidation will be appropriate for different types of analysis. For example, consolidation of the Financial Accounts for the total economy emphasizes the economy's financial position with the rest of the world since all domestic financial positions are netted on consolidation. Consolidation for sectors permits the tracing of overall financial movements between sectors with positive net lending and those with net borrowing and the identification of financial intermediation. Consolidation only at the subsector level for financial corporations can provide much more detail on intermediation and allow, for example, the identification of the central bank's operations with other financial intermediaries.

E. Classification of Financial Transactions

1. Classification criteria

53. The SNA classification of transactions in financial assets and liabilities is presented in table XI.2. The same classification is used in the balance sheets for stocks of financial assets and liabilities. This classification scheme is based primarily on two kinds of criteria, namely the liquidity of the asset and the legal characteristics that describe the form of the underlying creditor/debtor relationship. The concept of liquidity embraces other more specific characteristics--such as negotiability, transferability, marketability or convertibility--and these characteristics play a major role in determining the categories, although they are not separately identified in a systematic way. This classification is designed to facilitate the analysis of transactions of institutional units and is a framework for assessing the sources and uses of financing and degree of liquidity for these units.

54. The classification (see table XI.2) requires reporting of asset categories at the one digit level except for insurance technical reserves (category 6), which must be divided between net equity of households on life insurance reserves and on pension funds (category 6.1) and prepayments of premiums and reserves against outstanding claims (category 6.2) and other accounts receivable/payable (category 7), which must be divided between trade credits and advances (category 7.1) and other (category 7.2). In the case of currency and deposits, the category can be subdivided between currency, transferable deposits, and other deposits when these subdivisions are useful for analysis. Securities other than shares (category 3) and

loans (category 4) may be divided between short- and long-term when such a maturity distinction is useful.

55. The detail in which the classification is employed depends on the institutional sector to be analyzed. The types of financial assets in which households transact are more limited than those for other sectors, and sources of information are generally more limited than those for other sectors. Financial corporations, on the other hand, transact in the full range of instruments, and information on their operations is often the most detailed and timely for any institutional units. Consequently, a detailed breakdown may be developed for financial corporations. It should be noted that the SNA classification scheme is considered to be generally applicable as a framework for classifying financial assets and liabilities and provides a useful basis for international comparison of national data. Presentation of data for individual countries, however, must be tailored to meet their analytical needs and to reflect national practices that include differing institutional arrangements, variety in the extent and nature of national financial markets, varying degrees of complexity of financial assets available, and varying degrees of regulation and other financial control exercised. In all cases, the SNA recommends compiling and presenting data at the first digit level for asset categories 1 through 5 and at the two digit level for categories 6 and 7. (See table XI.2.) A substantial amount of flexibility, particularly with regard to further breakdowns, is therefore required to match the classification scheme to national capabilities, resources, and needs. In particular, further breakdowns of these categories are desirable for many countries to distinguish important types of assets within categories (such as derivatives within securities and deposits and short-term securities included in measures of money).

a. Money

56. In the SNA, there is no concept or measure of money within the classification of financial assets. Money is very important as a financial variable, but the wide range of ways in which money is defined in different countries precludes a simple definition within the SNA. Even measures of narrow money, which generally include currency and transferable deposits, may be difficult to define as the boundary between transferable and non-transferable deposits may not be stable in many countries. For example, certain financial institutions may start to provide partial or full checking facilities or to issue bank or credit cards, for deposit accounts that were previously not transferable. As a result of financial innovation, technological progress in computers and communications, and the force of competition, the distinction between transferable and non-transferable deposits and between the financial institutions that accept these deposits has become both blurred and unstable. In addition, few countries find that a stable relationship exists between narrowly defined money and other target variables. For these reasons, it may be difficult and not very useful analytically, at least in some countries, to try to draw a clear distinction between transferable and non-transferable deposits. Therefore, the SNA does

not build this distinction into the classification at the first level. When the financial market is such that a clear distinction can be drawn, the SNA recommends that the distinction should be made, although it comes in at the second level of the classification.

57. The composition of broad money aggregates varies even more widely among countries and encompasses many classes of deposits and certain categories of short-term securities, particularly negotiable certificates of deposit (NCDs). In addition, many countries compile a range of money measures, as well as broader liquidity measures, that include short-term liabilities of non-financial sectors. Even within a single country, innovation, deregulation or technical progress cause definitions of narrow or broad money to shift over time in response to changes in financial instruments and the organization of money markets. It follows that there can be no single concept of money supply implicit in the SNA. However, this does not preclude countries from organizing, either as the primary classification scheme or as a supplementary scheme, their financial classification and accounts around a specific money measure or measures. Such an approach would be very useful in integrating national accounts and monetary analysis.

b. Maturity

58. The classification deemphasizes maturity as a basic classification criterion. Innovations in financial markets and more aggressive approaches to management of assets and liabilities--rollovers of short-term instruments, borrowing through short-term instruments under long-term facilities such as NIFs, adjustable rates on long-term assets that effectively make them a series of short-term arrangements, and early redemption of callable liabilities--have diminished the usefulness of a simple short-term/long-term distinction. In addition, when maturity analysis is important, such as for analysis of interest rates and asset yields, a breakdown of a range of maturities may be required. For these reasons, maturity distinction is recognized as a secondary classification criterion when relevant and national compilers should determine whether maturity breakdown is necessary. Short-term is defined for the classification as one year or less, with a maximum of two years to accommodate national practices, while long-term is defined as more than one year, or more than two years to accommodate national practices.

c. Asset/liability symmetry

59. All financial claims and the associated liabilities constitute financial assets and liabilities. However, financial assets also include certain assets that cannot properly be described as claims over other designated institutional units when there are no matching liabilities. There are four such types of asset:

(1) monetary gold, that is, gold owned by monetary authorities and others subject to the authorities' effective control and held as a financial asset and as a component of foreign reserves;

(2) SDRs, reserve assets issued by the IMF and not considered a liability of the IMF (IMF members, to whom SDRs are allocated, do not have an actual, i.e., unconditional, liability to repay their SDR allocations.);

(3) shares, other corporate equity securities, and capital participation (Shares are close substitutes for other financial assets from the point of view of the investor. The SNA treats shares as liabilities by convention. However, these liabilities do not represent fixed redemption values, as is the case for many other assets, but claims on the net worth of the corporation.);

(4) certain financial derivatives for which liabilities are attributed by convention to the issuer.

d. Functional Categories

60. The classification does not contain functional categories, such as direct investment, portfolio investment, and international reserves, that are basic classification criteria for the balance of payments capital account. In view of the importance of these transactions, the classification does provide for a memorandum item for Financial Account transactions related to direct foreign investment relationships. This topic is treated in greater detail in <annex , "Relationship between the External Sector Accounts of the SNA and the Balance of Payments Accounts">.

e. Reserve assets

61. Reserve assets consist of those external assets that are readily available to and controlled by a country's authorities for direct financing of international payments imbalances, for indirect regulation of the magnitude of such imbalances through intervention in foreign exchange markets to affect their currency's exchange rate, and for other purposes. Reserve assets comprise monetary gold, SDRs, reserve position in the IMF, foreign exchange assets (consisting of currency, deposits, and securities), and other claims, such as non-marketable claims arising from arrangements between central banks or governments. Reserves must be claims on non-residents but they may be denominated in the currency of the creditor or debtor. Only the central bank and central government can hold reserves. However, not all financial claims held by the authorities on non-residents are reserves, as reserves must be readily available, i.e., highly liquid. Data on reserves are included in supplementary table , Financial Transactions of the Monetary System.

2. Summary Descriptions of Transactions in Financial Assets and Liabilities

62. Seven main categories of financial instrument are distinguished in the SNA and are listed in table XI.2. (In this table the categories are listed without the F prefix used in the standard SNA presentation of the classification of financial assets and liabilities; for ease of reference, the text also will not use the F prefix.) The contents of each category are described in detail in later sections.

a. Category 1: Monetary gold and SDRs

63. Monetary gold and SDRs issued by the IMF are assets for which there are no outstanding financial liabilities.

64. Transactions in monetary gold consist of sales and purchases of gold among monetary authorities. Monetary gold is owned by monetary authorities or others subject to their effective control. 2/ Only gold that is held as a financial asset and as a component of foreign reserves is classified as monetary gold. Therefore, except in limited institutional circumstances, gold can be a financial asset only for the central bank or central government. Purchases (sales) of monetary gold are recorded in the Financial Account of the domestic monetary authority as increases (decreases) in assets, and the counterparts are recorded as decreases (increases) in assets of the rest of the world. Transactions of other sectors in gold (including non-reserve gold held by the authorities and all gold held by financial institutions other than the central bank) are treated as acquisitions less disposals of valuables (if the sole purpose is to provide a store of wealth) and otherwise as final or intermediate consumption, and/or change in inventories. However, deposits, loans, and securities denominated in gold are treated as financial assets (not as gold) and are classified along with similar assets denominated in foreign currencies in the appropriate category.

65. If authorities add to their holdings of monetary gold by acquiring commodity gold, i.e., newly mined gold or existing gold offered on the private market, or release monetary gold from their holdings for non-monetary purposes, i.e., for sale to private holders or users, they are

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2/ Monetary gold will normally consist of the gold to which the central bank and central government actually hold title. In some circumstances, other institutional units such as financial corporations may hold title to gold that can only be sold with the specific consent of the monetary authorities. In such restricted circumstances, the concept of effective control can be applied to the gold holdings of other units. The same criterion of effective control can also be applied to other components of reserves.

deemed to have monetized or demonetized gold, respectively. When the authorities acquire gold, the transaction is recorded in the Capital Account as a positive entry under acquisition less disposals of valuables or change in inventories, and counterpart entries are recorded in the accounts of the institutional units or the rest of the world supplying the gold. When non-monetary gold is acquired from abroad, the entry is recorded under imports. Monetization or demonetization itself does not give rise to entries in the Financial Accounts; instead the change in balance sheet positions is accounted for by entries in the Other Changes in Volume of Assets Account as a reclassification, i.e., the reclassification of gold in inventories or gold as valuables to monetary gold. Demonetization is recorded symmetrically. If monetary gold is pledged by the authorities or otherwise used as collateral, no transaction is deemed to have taken place, nor has the gold been demonetized simply by the pledging. However, as pledging may affect the gold's usability as a reserve asset, supplementary information, such as that for contingencies, should be collected. (With respect to the treatment of gold swaps, national practices vary. Some favour treating them as actual transfers of ownership while others favour treating such swaps as the creation of a new financial asset, as is recommended for other repurchase agreements.)

66. Monetary gold normally takes the form of coins, ingots, or bars with a purity of at least 995/1000; it is usually traded on organized markets or through bilateral arrangements between central banks. Therefore, valuation of transactions is usually not a problem.

67. SDRs are international reserve assets created by the IMF and allocated to its members to supplement existing reserve assets. Transactions in SDRs are recorded in the Financial Accounts of the monetary authorities and the rest of the world, respectively. They are not considered liabilities of the IMF, and IMF members to whom SDRs are allocated do not have an actual (unconditional) liability to repay their SDR allocations. SDRs are held exclusively by official holders, which are normally central banks, and are transferable among participants in the IMF's Special Drawing Rights Department and other holders designated by the IMF (central banks and certain other international agencies). SDRs represent each holder's assured and unconditional right to obtain other reserve assets, especially foreign exchange. The value of the SDR is determined daily on the basis of a basket of currencies. The basket and the weights are revised from time to time. Valuation of transactions in SDRs raises no difficulties since they are used only in official transactions with a determined daily exchange rate.

68. The mechanism by which SDRs are created (referred to as allocations of SDRs) and extinguished (cancellations of SDRs) is not treated as one that gives rise to transactions in the SNA but rather to entries in the Other Changes in Volume of Assets Account.

b. Category 2: Currency and deposits

69. The total of currency, transferable deposits, and other deposits should always be calculated. If separate data are considered useful for individual countries, they should be compiled for each component.

(i) Category 2a: Currency

70. Currency comprises those notes and coins in circulation that are commonly used to make payments. (Commemorative coins that are not actually in circulation should be excluded.) Distinctions should be drawn between national currency and foreign currencies, i.e., currency that is the liability of resident units, such as central banks, other banks and central government, and currencies that are liabilities of non-resident units, such as foreign central banks, other banks and governments. All institutional sectors may hold currency as assets, but only financial corporations and government may issue currency.

(ii) Category 2b: Transferable deposits

71. Transferable deposits comprise all deposits that are:

(1) exchangeable on demand at par, without penalty or restriction,

(2) freely transferable by check or giro-order,

and

(3) otherwise commonly used to make payments.

Transferable deposits should be cross-classified according to (1) whether they are denominated in national currency or in foreign currencies, and (2) whether they are liabilities of resident institutions or the rest of the world.

(iii) Category 2c: Other deposits

72. Other deposits include all claims, other than transferable deposits, on the central bank, other depository institutions, government units, and, in some cases, other institutional units that are represented by evidence of deposit. Typical forms of deposits that should be included under this classification are non-transferable savings deposits, term deposits, and non-transferable deposits denominated in foreign currencies. The category also covers shares or similar evidence of deposit issued by savings and loan associations, building societies, credit unions, and the like; these shares or deposits are legally, or in practice, redeemable on demand or at relatively short notice. Claims on the IMF that are components of

international reserves and are not evidenced by loans should be recorded in other deposits. (Claims on the IMF evidenced by loans should be included in loan, category 4 of table XI.2.) Margin payments related to options or futures contracts are included in other deposits, as are overnight and very short-term repurchase agreements if they are considered part of national broad money definitions. Other repurchase agreements should be classified under loans. It will often be useful to cross-classify the other deposits category according to: (a) whether the deposits are denominated in national currency or in foreign currencies, and (b) whether they are liabilities of resident institutions or the rest of the world.

73. Transferable and other deposits may be held by all institutional sectors. Deposits are most often accepted as liabilities by financial corporations and general government, but institutional arrangements in some countries permit non-financial corporations and households to accept deposits.

c. Category 3: Securities other than shares

74. The category of securities other than shares includes bills, bonds, certificates of deposit, commercial paper, debentures, tradable financial derivatives, and similar instruments normally traded in the financial markets. Bills are defined as securities that give the holders the unconditional rights to receive stated fixed sums on a specified date; bills are issued and traded in organized markets at discounts that depend on the rate of interest and the time to maturity. Examples of short-term securities are Treasury bills, NCDs, BAs, and commercial paper. Bonds and debentures are securities that give the holders the unconditional right to fixed money incomes or contractually determined variable money incomes, that is, payment of interest is not dependent on earnings of the debtors. With the exception of perpetual bonds, bonds and debentures also give holders the unconditional rights to fixed sums as repayments of principal on a specified date or dates.

75. New negotiable securities are often issued backed by existing assets such as loans, mortgages, credit card debt, or other assets (including accounts receivable). This repackaging of assets is often referred to as securitization. The creation of the new assets gives rise to entries in the Financial Account and the new assets should be classified as securities other than shares. The previously existing assets will continue to be reported on the balance sheet of the institutional units that hold them. Loans which have become negotiable de facto should also be classified under securities other than shares. Preferred stocks or shares that pay a fixed income but do not provide for participation in the distribution of the residual value of an incorporated enterprise on dissolution are included. Bonds that are convertible into shares should be classified in this category. The conversion option may be viewed as an asset separate from the underlying security and considered a tradable derivative. Splitting the value of the transaction between the bond and the value of the option can be

accomplished by reference to transactions in similar bonds traded without the option. Mortgages are not classified as bonds; they are included under loans.

76. Questions concerning the treatment in the accounts of zero-coupon (and other deep-discounted) bonds and indexed securities may be raised.

77. Zero-coupon bonds are long-term securities that do not involve periodic interest payments during the life of the bond; instead, they are sold at a discount from par value and the full return is paid at maturity. Deep-discount bonds pay some interest during the life of the instrument but the amount is substantially below market interest. For both of these assets, the difference between the discounted issue price and the price at maturity is substantial. In the SNA, that difference is treated as interest and is recorded as accruing over the life of the bond rather than when due for payment. This treatment requires that the difference between issue price and the price at maturity be converted into a series of payments (quarterly or annual) recorded as interest (property income). The counterpart of this interest flow is entered in the Financial Account, under securities other than shares, and the effect is that the interest is reinvested. This treatment allows the costs of providing the capital to be matched to the periods for which the capital is provided.

78. Index-linked securities are instruments for which either the coupon payments (interest) or the principal are linked to a price index, the price of a commodity, or to an exchange rate index; the objective is to conserve purchasing power or wealth during a period of inflation in addition to earning interest income. When the coupon payments are index-linked, they are treated entirely as interest income, as is the case with any variable interest rate financial asset. When the value of the principal is indexed, the issue price of the security is recorded as the principal and the index payment paid periodically and at maturity is treated as interest. The payment owing to indexation should be recorded as interest (property income) over the life of the security, and the counterpart should be recorded under securities other than shares in the Financial Account.

79. An optional subclassification of securities other than shares by maturity into short-term and long-term should be based on the following criteria:

(i) Category a: Short term

80. Short-term securities other than shares include those securities that have an original maturity of one year or less; however, to accommodate variations in practice between countries, short-term may be defined to include an original maturity of two years or less. Securities with a maturity of one year or less should be classified as short-term even if they are issued under long-term facilities such as NIFs.

(ii) Category b: Long term

81. Long-term securities other than shares include those securities that have an original maturity of more than one year; however, to accommodate variations in practice between countries, long-term may be defined to include an original maturity in excess of two years. Claims with optional maturity dates, the latest of which is more than one year away, and claims with indefinite maturity dates should be classified as long-term.

d. Category 4: Loans

82. Loans include all financial assets that:

(1) are created when creditors lend funds directly to debtors,

(2) are evidenced by non-negotiable documents, or

(3) for which the lender receives no security evidencing the transaction.

This category includes all loans and advances (apart from trade credit and advances receivable or payable, see category 7.1 in table XI.2) extended to business, government, and households, etc., by banks, finance companies, and others. The category includes instalment loans, hire-purchase credit, and loans to finance trade credit. Claims on the IMF that are evidenced by loans should be included in this category. Repurchase agreements not included in national broad money definitions, as well as financial leases and similar arrangements, should also be classified as loans. It is useful to subdivide the category of loans according to the resident sectors and the non-resident sector for debtors and creditors, respectively. All institutional sectors may acquire assets and incur liabilities in the form of loans.

(i) Category a: Short term

83. Short-term loans comprise loans that normally have an original maturity of one year or less; however, to accommodate variations in practice between countries, short-term may be defined to include an original maturity of two years or less. All loans repayable on demand should be classified as short term even when these loans are expected to be outstanding for more than one year.

(ii) Category b: Long term

84. Long-term loans comprise loans that normally have an original maturity of more than one year, except that, to accommodate variations in practice between countries, long term may be defined to require an original maturity in excess of two years. It may also be useful to distinguish loans secured by mortgages from other long-term loans.

e. Category 5: Shares and other equity

85. Shares and other equity includes proprietors' net equity in quasi-corporate enterprises, as well as shares and equities in incorporated enterprises. Shares and other equities comprise all instruments and records acknowledging, after the claims of all creditors have been met, claims to the residual value of incorporated enterprises. Equity securities do not provide the right to a pre-determined income or to a fixed sum on dissolution of the incorporated enterprise. Ownership of equity is usually evidenced by shares, stocks, participation, or similar documents. Preferred stocks or shares, which also provide for participation in the distribution of the residual value on dissolution of an incorporated enterprise, are included. It is often useful to compile data separately for shares that are and are not quoted on an exchange.

86. Proprietors' net additions to the equity of quasi-corporate enterprises are the net additions that owners of such enterprises make to the funds and other resources of these enterprises. The owners make these additions for purposes of the capital investment of the quasi-corporate enterprise. This category is not separately identified under "shares and other equity." Included under proprietors' net additions are the net results of actual additions to, and withdrawals from, the capital of quasi-corporate enterprises. The capital consists of funds for use by the enterprise in purchasing fixed assets, accumulating inventories, acquiring financial assets or redeeming liabilities. Transfers by owners of fixed and other assets to the quasi-corporation are also included. Withdrawals may take the form of proceeds from sales of fixed or other assets, transfers of fixed and other assets from the quasi-corporation to the owner, and funds taken from accumulated retained savings and reserves for the consumption of fixed capital. This category should exclude withdrawals from and contributions to quasi-corporations on current account.

87. In the case of a quasi-corporation that is a direct investment enterprise wholly owned by non-residents (typically the foreign branch of a corporate or unincorporated enterprise), it is assumed that all of the quasi-corporation's retained earnings are remitted to the parent enterprise(s) and then reinvested as an addition to the net equity of the quasi-corporation. It is, of course, up to the proprietor(s) to make additional investments in the equity of direct investment enterprises over and above the amount of the retained earnings or, alternatively, to withdraw capital. For a direct investment quasi-corporation partly owned by non-

residents, only that portion of the retained earnings proportional to the degree of ownership is imputed to be paid and reinvested.

f. Category 6: Insurance technical reserves

88. Insurance technical reserves are subdivided between net equity of households on life insurance and pension funds (6.1) and prepayments of premiums and reserves against outstanding claims (6.2). (See table XI.2.) The former category comprises reserves against outstanding risks and reserves for with-profit insurance. The latter category comprises prepayment of premiums and reserves held by insurance enterprises (including automobile, health, term life, accident/injury, income maintenance, and other forms of non-life insurance) against claims. Reserves against outstanding risks, reserves for with-profits insurance, and prepayments of premiums are considered to be assets of policy holders, while reserves against outstanding claims are assets of the beneficiaries. Insurance technical reserves may be liabilities, not only of life or non-life insurance enterprises (whether mutual or incorporated) but also of autonomous pension funds, which are included in the insurance enterprise sub-sector.

(i) Category 6.1: Net equity of households on life insurance reserves and pension funds

(a) Life insurance reserves

89. Life insurance reserves consist of reserves against outstanding risks and reserves for with-profit insurance that add to the value on maturity of with-profit endowments or similar policies. Although held and managed by insurance enterprises, life insurance reserves are considered assets of the insured persons or households and not part of the net worth of the insurance enterprises. Life insurance reserves are collectively described as the net equity of households on life insurance reserves. The Financial Account of the SNA records changes in the net equity of households on life insurance reserves. Such changes, which result from transactions in which insurance enterprises or households engage, consist of gross additions less gross reductions.

90. Gross additions to the equity of households on life insurance funds consist of:

(1) the total value of the total premiums earned which are intended to obtain life insurance coverage during the current accounting period;

(2) the net property income earned from the investment of the reserves which is attributed to policy holding households; this

is recorded as a resource, property income, in the Allocation of Primary Income Account of resident households, or by the rest of the world for non-resident households, and as a use in the Allocation of Primary Income Account of insurance enterprises;

(3) less the imputed service charge for life insurance.

91. Gross reductions in the equity of households on life insurance funds consist of:

(1) the amounts due to holders of endowment and similar insurance policies when they mature, including the bonuses or profits earned on such policies;

(2) the amounts, including bonuses or profits due to beneficiaries, from deaths of insured persons;

(3) payments due on policies that are surrendered before maturity.

Changes in the net equity of households that occur between the beginning and end of the accounting period and that result from holding gains or losses on the reserves invested by insurance enterprises are recorded in the Revaluation Account.

(b) Pension funds

92. Pension funds consist of the reserves held by autonomous funds established by employers and/or employees to provide pensions for employees after retirement. These reserves, like reserves against life insurance, are considered to be assets of households--not assets of the institutional units that manage them. Therefore, these reserves are referred to as the net equity of households on pension funds. The Financial Account of the SNA records change in the net equity of households on pension funds. Such changes, which result from transactions in which the funds or the households may be involved, consist of gross additions less gross reductions.

93. Gross additions to the equity of pension funds consist of:

(1) the total value of the gross contributions into pension funds due from employees, employers, or other institutional units on behalf of individuals or households with claims on the funds;

(2) the net property income earned from the investment of the reserves of the pension funds; this is recorded as a receipt of property income in the Allocation of Primary Income Account of households and a use in the Allocation of Primary Income Account of the pension fund;

(3) less the administrative expenses charged during the period for managing the funds.

94. Gross reductions in the equity of pension funds consist of:

(1) the total value of the amounts payable to retired persons or their dependents in the form of regular payments each week, month, or other period;

(2) the total value of any lump sums payable to persons when they retire.

95. Changes in the net equity of households that occur between the beginning and the end of the accounting period and that result from holding gains or losses on the invested reserves of pension funds are recorded in the Revaluation Account and are not included in the Financial Account.

(ii) Category 6.2: Prepayments of insurance premiums and reserves for outstanding claims

96. Prepayments of premiums result from the fact that, in general, insurance premiums are paid in advance. Insurance premiums are due to be paid at the start of the period covered by the insurance, and this period does not normally coincide with the accounting period itself. Therefore, at the end of the accounting period when the balance sheet is drawn up, parts of the insurance premiums payable during the accounting period are intended to cover risks in the subsequent period. These prepayments of premiums are assets of the policy holders and form part of the insurance technical reserves. The amounts of premiums recorded in the accounts as transactions between policy holders and insurance enterprises consist of the premiums earned--those parts of the premiums that are paid in the current period or the preceding period and that are intended to cover risks outstanding during the current period.

97. Reserves against outstanding claims are reserves that insurance enterprises hold in order to cover the amounts they expect to pay out in respect of claims that are not yet settled or claims that may be disputed. Valid claims accepted by insurance enterprises are considered due for payment when the eventuality or accident that gives rise to the claim occurs--however long it takes to settle disputed claims. Reserves against outstanding claims are therefore considered to be assets of the beneficiaries and liabilities of the insurance enterprises.

98. The Financial Account of the SNA records changes in prepayments of premiums and reserves for outstanding claims that occur between the beginning and the end of the accounting period under the general heading of changes in insurance technical reserves. In principle, changes in these reserves resulting from holding gains or losses are recorded in the Revaluation Account and not included in the Financial Account.

g. Category 7: Other accounts receivable/payable

(i) Category 7.1: Trade credit and advances

99. This category comprises:

(1) trade credit for goods and services extended directly to corporations, government, NPIs, households, and the rest of the world;

and

(2) advances for work that is in progress (if classified as such under inventories) or is to be undertaken.

Trade credits and advances do not include loans to finance trade credit, which are classified under category 4 in table XI.2. It may also be valuable to separate short-term trade credits and advances from long-term trade credit and advances by employing the same criteria used to distinguish between other short- and long-term financial assets.

(ii) Category 7.2: Other

100. This category includes accounts receivable and payable, other than those described previously (e.g., in respect of taxes, dividends, purchases and sales of securities, rent, wages and salaries, and social contributions that are due or paid). Interest that is accruing on financial assets may be recorded under various categories in the classification. In general, interest accruing on securities other than shares should be recorded as increasing the value of the security. With respect to interest accruing on deposits and loans, the recording of interest may have to follow national practices as to whether the interest is capitalized in the underlying asset. If such interest is not capitalized, it may be classified in this category. When accrued interest is not paid when due on any financial asset (interest arrears), it may be useful to group all such arrears under this category. This category does not include statistical discrepancies.

h. Memorandum item: direct foreign investment

101. Transactions in financial assets and liabilities arising from the provision of, or receipt of, direct foreign investment are to be recorded under the appropriate categories listed previously in table XI.2, i.e., shares and other equity (category 5), loans (category 4), and other accounts receivable/payable (category 7). However, the amounts of direct foreign investment included within each of those categories should also be recorded separately as memorandum items.

F. Detailed Flow of Funds Accounts

102. The Financial Account, as presented in table XI.1, records the net acquisition of financial assets and net incurrence of liabilities for all institutional sectors by type of financial asset. For each sector, the Financial Account shows the financial liabilities that the sector incurs to mobilize financial resources and the financial assets that the sector acquires. The Financial Account thus presents a two-dimensional view of financial transactions--the financial asset or liability involved in the transaction and whether the transaction involves an asset or a liability. This information is very valuable in identifying the financial assets that net borrowing sectors use to finance their deficits and the assets that net lending sectors use to allocate their surpluses. Although the movement of financial flows can be mapped at this level of recording, the question of who is financing whom is not answered. In table XI.1, it is clear that non-financial corporations incurred liabilities of 96 predominantly in the form of loans (56) and other accounts payable (37). Financial corporations incurred net liabilities of 211 by using the full range of financial instruments. While the instrument by which the liabilities are incurred is clearly presented in this account, it is not possible to identify the sector that is providing the funds. Similarly, the net acquisition of financial assets can be tracked. Households acquired a net of 128 spread across a range of assets, while financial corporations acquired net financial assets of 205, mostly in the form of loans and securities. However, it cannot be determined from this level of recording to which sectors the financing is being provided.

103. For a full understanding of financial flows and the role they play in the economy, it is often important to know more detailed financial relationships between sectors and the financial assets by which these relationships are carried out. For example, it is often important for the government to know not just what types of liabilities it is using to finance its deficit but also which sectors (or the rest of the world) are providing the financing. For financial corporations (and those supervising them), it is important to know not only the composition of financial assets (loans and securities) that they have acquired but also which sectors these are claims upon. In addition, it is often necessary to analyze financial flows between subsectors within a sector (central government financial transactions with local governments or central bank financial transactions with depository institutions) and across sector boundaries (changes in depository institutions' claims on public non-financial corporations). Such detailed information is necessary to understand how financing is being carried out and how it is changing over time.

104. This more detailed approach is particularly important in spelling out the role that financial intermediaries play in financial transactions. As was previously noted, financial corporations often have very small net lending or borrowing balances in comparison with their volume of transactions in both financial assets and liabilities. This reflects the

basic role of financial intermediation of mobilizing financial resources through certain financial transactions and making these financial resources available to other sectors in forms suitable to these sectors through maturity/asset transformation. Thus, financial corporations play a critical role in directing financing flows from net lending sectors to net borrowing sectors and allow lenders to choose their asset instruments and borrowers their forms of indebtedness.

105. To facilitate the more detailed financial analysis just described, the SNA contains two tables, table XI.3a Detailed Flow of Funds--Financial Assets and table XI.3b Detailed Flow of Funds--Financial Liabilities. Table XI.3a records transactions in assets cross-classified by type of asset and by the debtor sector. The sectors transacting in assets are shown horizontally across the top of the table while the type of asset, disaggregated by sector of debtor, is arrayed vertically. Table XI.3b records transactions in liabilities cross-classified by type of liability and by the creditor sector. The tables, as presented, identify the full sectors for households, non-profit institutions, general government, and non-financial corporations. Subsectors are shown for the financial corporations to emphasize the special role these units play in financial transactions. For particular analysis or policy purposes, it may be useful to break down the other sectors into subsectors as well. In many circumstances, it will be necessary, for example, to identify financial transactions of central government or of non-financial public corporations. The sector breakdown under each type of financial asset is suggestive rather than prescriptive. For securities and loans, it is suggested to identify the debtor sectors (in table XI.3a) as follows: non-financial corporations, financial corporations, central government, state and local government, other resident sectors, and the rest of the world. Alternative breakdowns are illustrated for other types of assets.

106. These more detailed flow of funds tables can be used in at least three important areas related to economic policy. Data from these tables can be used in economic analysis and description of activity and trends in current periods. They can be used as an aid to projections in the context of the production of economic plans or to asses the effect of current economic policies, or changes in them, on the future path of the economy. They can also be used in projects that undertake modelling of the economy to study economic behaviour as an aid to the formulation of economic policy. Such studies, of course, would be complementary to similar work on data from other accounts in the SNA. In particular it is useful, when using the flow of funds accounts to facilitate the operation of the financial system in the economy, to relate these transactions to the behaviour of the non-financial economy. The Capital and Financial Accounts provide these links between the "real" economy and financial activity. Similarly, the flow of funds accounts facilitate study of the saving/investment process, by tracing the channels by which saving reaches ultimate borrowing, after passing through various financial institutions and assets.

107. In the policy area, a few examples will illustrate the usefulness of these tables. Common policy problems faced by many nations include questions such as: Will foreign exchange reserves be adequate? How will the central government's deficit be financed? How will the major non-financial public corporations be financed and by whom? In each of these examples, the provision of answers to the questions requires an impact analysis on various sectors and types of transaction. The articulation of the accounts within the flow of funds table facilitates the analysis and provides a framework in which to assess the answers.

108. In the area of financial projects, the use of time series from relevant parts of the flow of funds tables enables an examination of the implications of parts of an economic plan, including testing for consistency of a number of separately prepared sector or market forecasts, and the implications for future financial transactions of a particular set of assumptions about future events (e.g., interest rates, exchange rates, growth, sector surpluses/deficits).

109. Other policy areas where these projections and studies can be of assistance are in considering the long-term development of financial markets and institutions in the economy and assessments of the need for new types of assets to satisfy the potential demand of savers and investors requiring access to reliable liquid assets.

110. Tables XI.3a and XI.3b should be interpreted as a general model, and substantial flexibility should be allowed in specific country circumstances. In many countries, the dimensions of the tables will be severely constrained by data availability. It should also be noted that these tables are extensions of the basic Financial Account and that adding the third dimension to the analysis can be done on a selective basis by identifying particular assets or sector (or subsector) relationships for which this level of detail would be useful.

TABLE XI.1 ACCOUNT III.2: FINANCIAL ACCOUNT

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CHANGES IN ASSETS

CHANGES IN LIABILITIES AND NET WORTH

S.1 TOTAL ECONOMY	S.15 NON PROFIT INSTITUTIONS SERVING HOUSEHOLDS	S.14 HOUSEHOLDS	S.13 GENERAL GOVERNMENT	S.12 FINANCIAL CORPORATIONS	S.11 NON-FINANCIAL CORPORATIONS	TRANSACTIONS AND BALANCING ITEMS	S.11 NON-FINANCIAL CORPORATIONS	S.12 FINANCIAL CORPORATIONS	S.13 GENERAL GOVERNMENT	S.14 HOUSEHOLDS	S.15 NON PROFIT INSTITUTIONS SERVING HOUSEHOLDS	S.1 TOTAL ECONOMY
						B.9 NET LENDING (+) / NET BORROWING (-)	-25	-6	-32	80	13	30
437	19	128	14	205	71	Net Acquisition of financial assets						
						Net Incurrence of liabilities	96	211	46	48	6	407
0			0	0		F.1 Monetary gold and SDR'S						0
85	8	39	7	14	17	F.2 Currency and deposits		107	0			107
62	3	23	0	32	4	F.3 Securities other than shares	2	30	15			47
169	0	0	1	154	14	F.4 Loans	56	8	29	47	6	146
8	0	1	0	5	2	F.5 Shares and other equity	1	2				3
25	0	25	0	0	0	F.6 Insurance technical reserves		25				25
22		22				F.61 Net equity of households on life insurance reserves and on pension funds		22				22
3		3				F.62 Prepayment of premiums and reserves against outstanding claims		3				3
88	8	40	6	0	34	F.7 Other accounts receivable/payable	37	39	2	1	0	79
32		11	1		20	F.71 Trade credits and advances	8	24				32
56	8	29	5		14	F.72 Other	29	15	2	1		47
						F.2 Currency and deposits						
						F.2m11 of which: -denominated in nat. currency						
						F.2m12 -denominated in foreign currency						
						of which liability of:						
						F.2m21 -resident institutions						
						F.2m22 -Rest of the world						

Table XI.2 Classification of Transactions in Financial Assets and Liabilities

1. Monetary gold and SDRs

2. Currency and deposits

   a. Currency
   b. Transferable deposits
   c. Other deposits

3. Securities other than shares

   a. Short-term
   b. Long-term

4. Loans

   a. Short-term
   b. Long-term

5. Shares and other equity

6. Insurance technical reserves

   6.1 Net equity of households on life insurance reserves and on pension funds
   6.2 Prepayments of premiums and reserves against outstanding claims

7. Other accounts receivable/payable

   7.1 Trade credit and advances
   7.2 Other

Memorandum item:

   Direct foreign investment
     Equity
     Loans
     Other

Note: The recommended breakdown of items (2), (3), and (4) into (a), (b), or (c) is optional.

This table provides the classification for both transactions in financial assets and liabilities and holdings of financial assets and liabilities in balance sheets.

X.3A Detailed Flow of Funds

Financial assets of:												
The Rest of the World	Households	Nonprofit Institutions Serving Households	General Government	Nonfinancial Corporations	Financial Corporations						Total	Type of claim and debtor
					Central bank	Other Deposit Ins		Other financial intermediaries	Financial auxiliaries	Insurance corporations and pension funds		
						Deposit money inst.	Other deposit accepting					
(12)	(11)	(10)	(9)	(8)	(7)	(6)	(5)	(4)	(3)	(2)	(1)	Item
												1. Monetary Gold and SDRs 2. Currency and deposits a. Currency i. National - Residents - Non-residents ii. Foreign - Residents b. Transferable deposits i. in national currency - Residents - Non-residents ii. foreign currency - Residents - Non-residents c. Other deposits i. in national currency - Residents - Non-residents ii. foreign currency - Residents - Non-residents 3. Securities other than shares a. Short-term i. Non-financial corporations ii. Financial corporations iii. Central Government iv. State and local govts. v. Other resident sectors vi. The rest of the world b. long-term i. Non-financial corporations ii. Financial corporations iii. Central Government iv. State and local govts. v. Other resident sectors vi. The rest of the world 4. Loans a. Short-term i. Non-financial corporations ii. Financial corporations iii. Central Government iv. State and local govts. v. Other resident sectors vi. The rest of the world b. long-term i. Non-financial corporations ii. Financial corporations iii. Central Government iv. State and local govts. v. Other resident sectors vi. The rest of the world 5. Shares and other equity a. Resident enterprises i. Quoted ii. Not quoted b. Non-resident enterprises i. Quoted ii. Not quoted 6. Insurance technical reserves 6.1 Net equity of households on life insurance reserves and on pension funds 6.2 Prepayments of premiums and reserves against outstanding claims 7. Other accounts receivable and payable 7.1 Trade credit and advances a. Non-financial corporations b. Households c. Central government d. State and local govt. e. Other resident sectors f. The rest of the world 7.2 Other a. Resident sectors b. The rest of the world Memorandum items: Direct investment Equity Loans Other

II.18 Detailed Flow of Funds

Financial liabilities of													
The Rest of the World	Households	Non-profit institutions Serving Households	General Government	Non-financial Corporations	Financial Corporations						Total	Type of claim and creditor
					Central bank	Other Deposit ins		Other financial inter-mediaries	Financial auxi-liaries	Insurance corpora-tions and Pension funds		
						Deposit money inst.	Other deposit accepting					
(12)	(11)	(10)	(9)	(8)	(7)	(6)	(5)	(4)	(3)	(2)	(1)	Item
												2. Currency and deposits
												a. Currency
												i. National
												- Residents
												- Non-residents
												ii. Foreign
												- Residents
												b. Transferable deposits
												i. In national currency
												- Residents
												- Non-residents
												ii. Foreign currency
												- Residents
												- Non-residents
												c. Other deposits
												i. In national currency
												- Residents
												- Non-residents
												ii. Foreign currency
												- Residents
												- Non-residents
												3. Securities other than shares
												a. Short-term
												i. Non-financial corporations
												ii. Financial corporations
												iii. Central Government
												iv. State and local govts.
												v. Other resident sectors
												vi. The rest of the world
												b. long-term
												i. Non-financial corporations
												ii. Financial corporations
												iii. Central Government
												iv. State and local govts.
												v. Other resident sectors
												vi. The rest of the world
												4. Loans
												a. Short-term
												i. Non-financial corporations
												ii. Financial corporations
												iii. Central Government
												iv. State and local govts.
												v. Other resident sectors
												vi. The rest of the world
												b. long-term
												i. Non-financial corporations
												ii. Financial corporations
												iii. Central Government
												iv. State and local govts.
												v. Other resident sectors
												vi. The rest of the world
												5. Shares and other equity
												a. Resident enterprises
												i. Quoted
												ii. Not quoted
												b. Non-resident enterprises
												i. Quoted
												ii. Not quoted
												6. Insurance technical reserves
												6.1 Net equity of households on life insurance reserves and on pension funds
												6.2 Prepayments of premiums and reserves against outstanding claims
												7. Other accounts receivable and payable
												7.1 Trade credit and advances
												a. Non-financial corporations
												b. Households
												c. Central government
												d. State and local govt.
												e. Other resident sectors
												f. The rest of the world
												7.2 Other
												a. Resident sectors
												b. The rest of the world
												Memorandum items:
												Direct investment
												Equity
												Loans
												Other